



089470 *Accounting and Auditing Policy Staff*

UNITED STATES GENERAL ACCOUNTING OFFICE
REGIONAL OFFICE
143 FEDERAL OFFICE BUILDING 50 FULTON STREET
SAN FRANCISCO, CALIFORNIA 94102

680 00365
November 14, 1972

IN REPLY REFER TO
27023

Mr. John J. Balles, President
Federal Reserve Bank of San Francisco
400 Sansome Street
San Francisco, California 94111

Dear Mr. Balles:

DCG 00573

We have reviewed the activities of the Federal Reserve Bank of San Francisco relating to the cancellation, verification, destruction, and accounting for currency unfit for circulation. This review was made pursuant to Section 5, Public Law 89-427 (31 U.S.C. 49a) approved May 20, 1966.

Our review, completed on October 16, 1972, was directed toward (1) an evaluation of the adequacy of existing controls relating to the cancellation, verification and destruction of unfit currency, (2) ensuring that unfit currency held pending destruction is properly accounted for, and (3) an evaluation of the scope and effectiveness of audits made by the General Auditor of the Federal Reserve Bank.

We are pleased to report that the Federal Reserve Bank of San Francisco is complying with the procedures in the Federal Reserve Currency Manual, revised March 1969, and changes thereto, issued by the Department of the Treasury for the above activities.

Our examination did not disclose any significant deficiencies or weaknesses in administrative procedures or controls. However, we noted (1) certain instances where personnel could not be adequately observed by the auditor or the observer because blind spots existed in the room where they were working and (2) certain other minor weaknesses which were discussed with members of your staff. Since agreement was reached concerning these observations and your staff indicated that corrective measures would be taken, we are making no recommendations.

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Mr. John J. Balles, President

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We wish to express our appreciation for the courtesy and cooperation extended our representatives during the review. A copy of this letter is being sent to the Assistant Deputy Treasurer of the United States.

Sincerely yours,
A. M. CLAVELL

A. M. Clavell
Regional Manager

cc: General Auditor, FRB--J. J. Carson
Assistant Deputy Treasurer of U.S.
Director, Office of Audit, Treasury Dept.
Accounting and Auditing Policy Staff ✓
Director, GGD--V. Lowe
Associate Director, GGD--I. M. Crawford
Assistant Director, GGD--C. P. McAuley